

PUBLIC DISCLOSURE

FEBRUARY 5, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WORKERS' CREDIT UNION

815 MAIN STREET
FITCHBURG, MA 01420

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

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| <p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **WORKERS' CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **FEBRUARY 5, 2001**. The Division evaluates performance in the assessment area(s), as it is defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: Workers' Credit Union is rated "**Outstanding**".

This rating is based upon the credit union's superior performance under the Lending Activity, Geographic Distribution and Borrower Characteristics portions of the examination; the reasonable performance under the Innovative or Flexible Lending, Fair Lending Practices, and Loss of Affordable Housing sections; and the credit union's superior performance under the Service Test. Finally, while credit union investments are generally not evaluated under the Community Reinvestment Act examination, Workers' Credit Union's contributions that represent qualified investments for the purposes of CRA were reviewed and were considered to enhance the overall CRA rating, although no individual rating for the Investment Test was assigned.

LENDING AND SERVICE TEST TABLE

| PERFORMANCE TESTS Workers' Credit Union | | |
|--|---------------|--------------|
| Performance Levels | Lending Test* | Service Test |
| Outstanding | X | X |
| High Satisfactory | | |
| Satisfactory | | |
| Needs to Improve | | |
| Substantial Non-Compliance | | |

*Note: The Lending Test is weighed more heavily than the Service Test when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Workers' Credit Union is a large community credit union incorporated in 1914. Its main office is located in downtown Fitchburg. Workers' Credit Union operates seven other full-service branch offices located in Gardner, Groton, Lancaster, Leominster, Lunenburg, Orange, and Townsend. All branch offices offer 24-Hour ATM service with network access. In addition, the credit union maintains a walk-up ATM in the New England Business Systems building. Workers' Credit Union is a member of the SUM network, an ATM surcharge-free alliance of financial institutions.

As of December 31, 2000, Workers' Credit Union had total assets of \$357 million with total loans representing \$248 million or 69.5 percent of total assets. The ratio of net loans of \$246 million to total deposits of \$313 million was 78.6 percent. From December 31, 1999 to December 31, 2000, the credit union's loan portfolio grew by 18.0 percent while deposit growth was 6.7 percent for the same period.

The following table depicts Workers' Credit Union's loan portfolio composition based on the December 2000 NCUA 5300 Report.

| Loan Portfolio December 31, 2000 | |
|---|------------------|
| Type of Loans | % of Total Loans |

| | |
|---|-------|
| Real Estate Lending | |
| • First Mortgages/Lines of Credit | 44.1 |
| • All Other Real Estate/Lines of Credit | 13.4 |
| Consumer Lending | |
| • Unsecured Credit Cards/Lines of Credit | 4.4 |
| • All Other Unsecured Loans/Lines of Credit | 2.3 |
| • New Vehicle | 3.5 |
| • Used Vehicle | 27.7 |
| • All Other Loans | 4.6 |
| Total | 100.0 |

Source: NCUA 5300 Report, 12/31/00

First mortgage loans and Lines of Credit represent the largest portion (44.1 percent) of the credit union's loan portfolio. The second largest segment of the loan portfolio is consumer loan products, which represent 42.5 percent (inclusive) of the portfolio.

There appears to be no legal or regulatory impediments that would effect the credit union in meeting the needs of its community. The Division of Banks conducted the previous Community Reinvestment Act (CRA) evaluation as of March 23, 1998. That examination resulted in an "Outstanding" rating.

Parity Powers

In February 2000 and May 2000, Workers' Credit Union received approval from the Division of Banks to engage in certain activities authorized under the "Parity with Federal Credit Union Regulations", 209 CMR 50.00. Those parity powers applied for and which may impact the credit union's CRA performance are as follows:

- To increase the personal loan/lines of credit amounts up to \$50,000 for a maximum of 7 years;
- To increase the term of savings-secured loans to a maximum of 7 years;
- To increase Certificate of Deposit - secured loans to a maximum of 12 years;
- Allow 100% automobile financing up to \$100,000 for a maximum of 7 years;
- Increase the maximum home improvement loan to \$50,000;
- Increase the maximum on residential first mortgage loans to \$1 million with an increased LTV up to 95%;
- Allow the purchase and sale of loan portfolios; and
- Allow indirect automobile lending.

Description of Assessment Area

The following table reflects Workers' Credit Union's assessment area by Metropolitan Statistical Area (MSA) and by county. Also included in the table are the HUD estimated Median Family Incomes for 1999 and 2000 for the respective MSA.

| Assessment Area by Metropolitan Statistical Area (MSA) | | | | | | | | | |
|--|--------|---|--------|--|--------|--|--------|------------------------------------|--------|
| Boston MSA | | Fitchburg Leominster MSA | | Lowell MSA | | Non-MSA | | Worcester MSA | |
| Counties | | | | | | | | | |
| Middlesex Worcester | | Middlesex Worcester | | Middlesex | | Franklin Worcester | | Worcester | |
| Communities | | | | | | | | | |
| Ayer (Fort Devens), Bolton, Harvard, Lancaster, Shirley, Townsend | | Ashburnham, Ashby, Baldwinville, Fitchburg, Gardner, Leominster, Lunenburg, Templeton, Westminster, Winchendon | | Dunstable, Groton, Littleton, Pepperell, Tyngsborough, Westford | | Athol, Erving, Hubbardston, Leverett, New Salem, Orange, Royalston, Shutesbury, Warwick, Wendell | | Clinton, Princeton, Sterling | |
| Median Family Incomes (\$) | | | | | | | | | |
| 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 |
| 62,700 | 65,500 | 50,700 | 53,100 | 61,800 | 64,900 | 46,400 | 48,000 | 52,600 | 54,400 |

*Source: PCI Services, Inc., CRA Wiz Software.

Workers' Credit Union's assessment area contains 59 census tracts. Of those tracts, 1 or 1.7 percent is low-income, 11 or 18.6 percent are moderate-income, 31 or 52.5 percent are middle-income and 15 or 25.5 percent are upper-income. There is one census tract (1.7 percent) with no income designation. This tract is the former military installation known as Fort Devens. The installation was divided into three areas, the North Post, the Main Post, and the South Post. North Post consisted of approximately 900 acres within the towns of Ayer and Shirley. Main Post encompassed approximately 3,520 acres within the towns of Ayer, Harvard, and Shirley. The South Post consisted of approximately 4,880 acres within the Town of Lancaster.

Housing information obtained from PCI Services, Inc., CRA Wiz, based upon 1990 census data, indicated that there were 106,967 housing units within Workers' Credit Union's assessment area. Refer to the following table for more information.

| Assessment Area Housing Statistics* | | | | | |
|--|---------------------------|-------------------------|--------------------------|-----------------|--------------|
| Census Tracts | # of Housing Units | % Owner Occupied | % Renter Occupied | % Vacant | Total |
| Low | 1,293 | 8.1 | 78.8 | 13.1 | 100.0 |

| | | | | | |
|----------|--------|------|------|-----|-------|
| Moderate | 18,539 | 33.2 | 58.9 | 7.9 | 100.0 |
| Middle | 62,207 | 63.7 | 29.6 | 6.7 | 100.0 |
| Upper | 24,928 | 79.0 | 14.7 | 6.3 | 100.0 |

*Source: PCI Services, Inc., CRA Wiz Software.

The 1990 census data indicates that in Workers' Credit Union's assessment area the weighted average median value of a home was \$137,841, while the weighted average median family income was \$44,103.

Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for HMDA reportable lending performance purposes only, constitutes 442 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased residential mortgage and/or home improvement loans within the credit union's assessment area (source: PCI Services, Inc., CRA Wiz). The total number of originations/purchases received by these lenders in calendar year 1999 was 14,186. The following reflects the top ten lenders (in descending order) within Workers' Credit Union's assessment area in 1999.

| Top Ten Lenders Within Workers' Credit Union's Assessment Area in 1999 | | | |
|--|---|-----------------|------------------|
| Rank | Lender | Number of Loans | Market Share (%) |
| 1 | Countrywide Home Loans | 795 | 5.6 |
| 2 | Fleet Mortgage Corporation | 427 | 3.0 |
| 3 | Fleet National Bank | 413 | 2.9 |
| 4 | Norwest Mortgage, Inc. | 350 | 2.5 |
| 5 | Homeside Lending, Inc. | 321 | 2.3 |
| 6 | PNC Mortgage Corporation North American Mortgage Company | 302 | 2.1 |
| 7 | Family Bank, FSB | 301 | 2.1 |
| 8 | Ohio Savings Bank | 293 | 2.1 |
| 9 | Workers' Credit Union | 259 | 1.8 |
| 10 | First Eastern Mortgage Corporation | 231 | 1.6 |

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The institution's lending efforts are rated under six performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss of Affordable Housing, and Fair Lending Policies and Practices. In addition, other loan data involving a sampling of the credit union's consumer lending was also evaluated. The following information details the data compiled and reviewed, as well as conclusions on the credit union's lending.

I. Lending Activity

This criterion evaluates the number and dollar volume of loans granted (or purchased) within the assessment area. The credit union's HMDA-reportable loans and consumer loans were evaluated for this criterion. A HMDA-reportable loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. For the purposes herein, the period under review for HMDA reportable lending constitutes calendar years 1999 and 2000. In order to evaluate consumer loans a sample of 998 loans from years 1999 and 2000 was reviewed. For the consumer loan sample, the Division of Banks utilized internally generated reports for the month of July 1999 and July 2000 for automobile loans (new and used) and personal installment loans.

Loan to Asset Ratio

As part of the analysis of the credit union's lending activity, the credit union's loan to asset ratio was reviewed. Workers' Credit Union's net loan to total asset ratio as of December 31 2000 was 69.1 percent, up from 63.7 percent as of December 31, 1999.

Workers' Credit Union's net loan to total asset ratio was compared to that of other institutions in the assessment area. As of September 30, 2000, (latest comparative information available) Workers' Credit Union had total assets of \$349,241,000 and a net to total asset ratio of 68.6 percent. The net loan to total asset ratios of area community financial institutions is reflected in the following table. Those institutions chosen for this analysis have a main office or branch location in the credit union's assessment area. The institutions are sorted by net loan to asset ratio in descending order.

COMPARATIVE NET LOAN-TO-ASSET RATIOS

| Financial Institution | Total Assets \$(000) | Net Loan to Total Asset Ratio (%) |
|---------------------------------|----------------------|-----------------------------------|
| Fitchburg Savings Bank, FSB | 236,060 | 90.5 |
| Athol-Clinton Co-Operative Bank | 70,709 | 82.4 |
| I-C Federal Credit Union | 232,057 | 75.4 |
| Clinton Savings Bank | 204,796 | 70.3 |
| Workers' Credit Union | 349,241 | 68.6 |
| Leominster Credit Union | 227,508 | 61.3 |
| North Middlesex Savings Bank | 204,304 | 57.8 |
| Athol Savings Bank | 192,544 | 54.9 |
| GFA Federal Credit Union | 160,078 | 40.9 |

Source: FDIC and NCUA Consolidated Reports of Condition on September 30, 2000

Workers' Credit Union's loan portfolio overall has experienced strong growth. From December 31, 1999 to December 31, 2000, the credit union's loan portfolio (gross) grew by 18.0 percent. The following table reflects Workers' Credit Union's loan portfolio (gross) by loan type for December 31, 1999 and December 31, 2000 (per NCUA 5300 Reports), as well as the growth rate of each loan type.

| WORKERS' CREDIT UNION'S LOAN PORTFOLIO | | | |
|---|---------------------------|---------------------------|-----------------|
| Loan Types | December 31, 1999* | December 31, 2000* | % Growth |
| Unsecured Credit Cards – Lines of Credit | 9,733 | 10,824 | 11.2 |
| All Other Unsecured Loans – Lines of Credit | 5,492 | 5,630 | 2.5 |
| New Vehicle Loans | 6,755 | 8,777 | 29.9 |
| Used Vehicle Loans | 53,039 | 68,842 | 29.8 |
| 1-4 Family Mortgages | 96,355 | 109,428 | 13.6 |
| All Other Real Estate – Lines of Credit | 26,913 | 33,343 | 23.9 |
| All Other Loans | 12,077 | 11,314 | -6.3 |
| TOTAL | 210,364 | 248,158 | 18.0 |

*In Thousands.

The growth in 1-4 family mortgages and in new and used vehicle loans is due in part to the newly received parity powers (refer to the Performance Context section). The greater flexibility offered through the parity powers has allowed the credit union to be more competitive.

Lending Inside The Assessment Area

HMDA Reportable Loans

An analysis of HMDA reportable lending extended both inside and outside of the credit union's assessment area was performed. The credit union originated a total of 530 HMDA-reportable loans for 1999 and 2000. Of these loans, 78.5 percent of the number and 71.3 percent of the dollar amount were originated inside the assessment area. Refer to the following table.

| Workers' Credit Union HMDA Reportable Lending by Number and Dollar Volume* | | | | | | | | | | | | |
|---|-------------------------|--------------|----------------|--------------|-------------------------|--------------|----------------|--------------|-----------------------|--------------|----------------|--------------|
| | 1999 Performance | | | | 2000 Performance | | | | Combined Total | | | |
| Location | # | % | \$(000) | % | # | % | \$(000) | % | # | % | \$(000) | % |
| Total Inside | 259 | 82.0 | 21,166 | 80.1 | 157 | 73.4 | 13,238 | 60.8 | 416 | 78.5 | 34,404 | 71.3 |
| Outside | 57 | 18.0 | 5,270 | 19.9 | 57 | 26.6 | 8,549 | 39.2 | 114 | 21.5 | 13,819 | 28.7 |
| Grand Total | 316 | 100.0 | 26,436 | 100.0 | 214 | 100.0 | 21,787 | 100.0 | 530 | 100.0 | 48,223 | 100.0 |

*Source: PCI Services, Inc., CRA Wiz Software.

The City of Fitchburg received the largest number and dollar volume of HMDA reportable lending with 72 loans totaling \$4,941,000. This represents 13.6 percent of the number and 10.3 percent of the dollar volume of the credit union's total lending. There was no concentration noted of HMDA reportable lending to a community outside of the credit union's assessment area.

In 1999, Workers' Credit Union originated 316 HMDA reportable loans totaling \$26,436,000, whereas, in 2000 the credit union originated 214 HMDA reportable loans totaling \$21,787,000. This represents a 32.3 percent decline in the number and 17.6 percent decline in the dollar volume of the credit union's HMDA reportable lending between 1999 and 2000. However, it should be noted that in 1999, Workers' Credit Union, as well as the industry as a whole, experienced a marked rise in refinances. The demand for refinances slowed in 2000. Although Workers' Credit Union's HMDA reportable lending experienced a decrease during the period reviewed, its level of lending is considered to be reasonable.

Consumer Lending

A review of a sample of Workers' Credit Union's consumer lending extended both inside and outside of its assessment area was also performed. According to the analysis of the sample of loans reviewed, the credit union originated 541 loans or 54.2 percent of consumer loans inside its assessment area, and 457 loans or 45.8 percent outside its assessment area based upon a total sample of 998 consumer loans. By dollar volume, the credit union originated \$4,700,000 or 53.7 percent inside and \$4,054,000 or 46.3 percent outside for a total of \$8,754,000 in consumer loans. Refer to the following table.

| Workers' Credit Union Consumer Lending by Number and Dollar Volume* | | | | | | | | | | | | |
|--|-------------------------|--------------|----------------|--------------|-------------------------|--------------|----------------|--------------|-----------------------|--------------|----------------|--------------|
| | 1999 Performance | | | | 2000 Performance | | | | Combined Total | | | |
| Location | # | % | \$(000) | % | # | % | \$(000) | % | # | % | \$(000) | % |
| Total Inside | 240 | 63.0 | 1,963 | 62.8 | 301 | 48.8 | 2,737 | 48.6 | 541 | 54.2 | 4,700 | 53.7 |
| Outside | 141 | 37.0 | 1,164 | 37.2 | 316 | 51.2 | 2,890 | 51.4 | 457 | 45.8 | 4,054 | 46.3 |
| Grand Total | 381 | 100.0 | 3,127 | 100.0 | 617 | 100.0 | 5,627 | 100.0 | 998 | 100.0 | 8,754 | 100.0 |

*Source: Internally Generated Report for July 1999 and July 2000.

From calendar year 1999 to 2000, the credit union's percentage of lending inside its assessment area dropped significantly from 63.0 percent to 48.8 percent. However, the overall number and dollar volume of lending substantially increased.

Of the loan types used in the sampling process, it was noted that one of the automobile loan types appeared to have the most significant number and dollar volume of lending outside the credit union's assessment area. This loan type represented approximately 20 percent of the number and dollar volume captured in the sampling. For the period reviewed, this loan type had only 21.2 percent of the number and 24.3 percent of the dollar volume coming from inside the credit union's assessment. However, this loan type experienced a 112.3 percent growth in number of loans and a 110.2 percent growth in dollar volume for the period. It should be noted that Workers' Credit Union has established a relationship with approximately 450 new and used auto dealerships located in Massachusetts and New Hampshire. These relationships have impacted the distribution of loans inside and outside of the assessment area. However, the sizeable growth in this type of consumer lending, regardless of geography, reflects the credit union's responsiveness to the needs of its membership.

Based upon the sample reviewed, Workers' Credit Union's consumer lending performance is considered to be reasonable.

II. Geographic Distribution

This criterion evaluates the institution's lending performance to the low, moderate, middle, and upper-income census tracts within its assessment area.

As previously indicated, the credit union's assessment area contains 59 census tracts. Of these tracts, 1 or 1.7 percent is low-income, 11 or 18.6 percent are moderate-income, 31 or 52.5 percent are middle-income, 15 or 25.5 percent are upper-income, and 1 or 1.7 percent has no income designation.

Distribution of HMDA Reportable Loans within the Assessment Area

An analysis of HMDA reportable lending extended within the various census tracts contained within Workers' Credit Union's assessment area was conducted. The following table presents the credit union's performance as well as the 1999 aggregate data on HMDA reportable lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units (per 1990 census data) in each of the census tract income categories.

| Distribution of Workers' Credit Union HMDA Reportable Loans by Census Tract* | | | | | | | | | | | | |
|---|-------------------------|----------|-----------------|----------|-----------------|----------------------------|----------------|-------------------------|----------|-----------------|----------|-----------------|
| | 1999 Performance | | | | Dem Data | 1999 Aggregate Data | | 2000 Performance | | | | Dem Data |
| Tract | # | % | \$ (000) | % | % | % of # | % of \$ | # | % | \$ (000) | % | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0.2 | 0.1 | 0.1 | 0 | 0.0 | 0 | 0.0 | 0.2 |

| | | | | | | | | | | | | |
|-----------------|------------|------------|---------------|------------|-------------|-------------|-------------|------------|-------------|---------------|-------------|-------------|
| Moderate | 32 | 12.4 | 2,071 | 9.8 | 9.4 | 8.8 | 6.7 | 15 | 9.6 | 1,082 | 8.2 | 9.4 |
| Middle | 142 | 54.8 | 10,704 | 50.6 | 60.4 | 56.1 | 48.1 | 95 | 60.5 | 7,325 | 55.3 | 60.4 |
| Upper | 85 | 32.8 | 8,391 | 39.6 | 30.0 | 35.0 | 45.1 | 47 | 29.9 | 4,831 | 36.5 | 30.0 |
| Total | 259 | 100 | 21,166 | 100 | 100 | 100 | 100 | 157 | 100 | 13,238 | 100 | 100 |

*Source: PCI Services, Inc., CRA Wiz Software.

** Demographic data consists of the percentage of owner-occupied units in each census tract (per 1990 Census).

The credit union originated 9.8 percent of its HMDA-reportable loans in moderate-income census tracts in 1999 and 8.2 percent in moderate-income census tracts in 2000. This is good considering that moderate-income census tracts account for 9.4 percent of the owner-occupied properties within the assessment area. Furthermore, in 1999 the percentage of the credit union's HMDA reportable lending in moderate-income census tracts exceeded that of the aggregate as well as the percentage of owner-occupied housing available within the moderate-income tracts. In 2000, the percentage of the credit union's lending to the moderate-income tracts was more in line with the available housing percentage.

Although the credit union did not originate any HMDA reportable loans within the one low-income census tract, the aggregate had a nominal penetration of this tract with 0.1 percent.

Based on the above information, Workers' Credit Union's geographic distribution of HMDA reportable lending within its assessment area is considered strong.

Distribution of Consumer Lending within the Assessment Area

Since the credit union does not, nor is it required to, collect or maintain census tract data on its consumer lending, no analysis was performed.

III. Borrower Characteristics

The third lending criterion evaluates the extent to which an institution lends to borrowers of low, moderate, middle, and upper- income by the number and dollar volume.

HMDA Reportable Loans

An analysis of HMDA reportable lending extended within Workers' Credit Union's assessment area, among borrowers of various income levels for the period under review was performed. Originations were categorized by the ratio of the applicant's reported incomes to the 1999 and 2000 estimated median family incomes of the appropriate MSA (refer to the Performance Context Section).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median family income level for the MSA.

Upper income is defined as income greater than 120 percent of the median family income level for the MSA.

The following table details the credit union's distribution of loans among borrowers of different income levels. The analysis also includes 1999 aggregate data (exclusive of Workers' Credit Union) of HMDA reportable lending by percentage as well as demographic data on the percentage of family households (per 1990 census data) in the assessment area in each respective income group.

| Distribution of Workers' Credit Union HMDA Reportable Loans by Borrower Income Level* | | | | | | | | | | | | |
|---|------------------|------|----------|------|--------------------|---------------------------|------------|------------------|------|----------|------|--------------------|
| | 1999 Performance | | | | Dem. Data ** | 1999 Aggregate Data | | 2000 Performance | | | | Dem. Data ** |
| Incomes | # | % | \$ (000) | % | % | % of # | % of \$ | # | % | \$ (000) | % | % |
| Low | 17 | 6.6 | 584 | 2.8 | 17.7Ø | 4.1 | 2.2 | 11 | 7.0 | 428 | 3.2 | 17.7Ø |
| Moderate | 77 | 29.7 | 4,627 | 21.9 | 17.1 | 14.7 | 9.9 | 43 | 27.4 | 2,442 | 18.5 | 17.1 |
| Middle | 92 | 35.5 | 7,698 | 36.4 | 26.2 | 23.5 | 19.7 | 50 | 31.8 | 4,391 | 33.2 | 26.2 |
| Upper | 71 | 27.4 | 7,997 | 37.8 | 39.0 | 38.3 | 47.5 | 51 | 32.5 | 5,854 | 44.2 | 39.0 |
| NA | 2 | 0.8 | 260 | 1.1 | 0.0 | 19.4 | 20.7 | 2 | 1.3 | 123 | 0.9 | 0.0 |
| Total | 259 | 100 | 21,166 | 100 | 100 | 100 | 100 | 157 | 100 | 13,238 | 100 | 100 |

*Source: PCI Services, Inc., CRA Wiz Software**Demographic data consists of the percentage of family households per income level (per 1990 Census).

Included in the low-income category are 4,324 family households within the assessment area whose income is considered to be below poverty level and as such are unlikely to qualify for mortgage financing. If the low-income category were adjusted for this data the percentage of low-income family households within the assessment area would be decreased to 12.6 percent.

It should be noted that those originations designated as not applicable are either loans where the borrowers' income was not taken into account when granting the loan; the borrower is an employee; or the loan was purchased.

As indicated in the above table, the credit union's percentage of lending to low-income borrowers, both by number and by dollar volume, surpassed that of aggregate in 1999. Further, the credit union's lending to moderate-income borrowers far exceeded the aggregate as well as the percentage of family households as of the 1990 census. The credit union's 2000 performance, by percentage, remained consistent with that of its 1999 performance. Therefore, Workers' Credit Union's level of lending to borrowers of low and moderate-income is considered significant.

Consumer Lending

An analysis of Workers' Credit Union's consumer lending by borrower income was also performed. Refer to the following.

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| <p align="center">Workers' Credit Union Consumer Lending Sample both Number and Dollar Volume by Borrower Income*</p> |
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| | 1999 Performance | | | | 2000 Performance | | | | Combined Total | | | |
|----------|------------------|-------|---------|-------|------------------|-------|---------|-------|----------------|-------|---------|-------|
| Income | # | % | \$(000) | % | # | % | \$(000) | % | # | % | \$(000) | % |
| Low | 76 | 31.7 | 508 | 25.9 | 72 | 23.9 | 455 | 16.6 | 148 | 27.4 | 963 | 20.5 |
| Moderate | 64 | 26.7 | 550 | 28.0 | 96 | 31.9 | 853 | 31.2 | 160 | 29.6 | 1,403 | 29.9 |
| Middle | 64 | 26.7 | 546 | 27.8 | 78 | 25.9 | 449 | 16.4 | 142 | 26.3 | 995 | 21.2 |
| Upper | 35 | 14.6 | 350 | 17.8 | 53 | 17.6 | 973 | 35.6 | 88 | 16.3 | 1,323 | 28.2 |
| NA | 1 | 0.3 | 9 | 0.5 | 2 | 0.7 | 7 | 0.2 | 3 | 0.4 | 16 | 0.2 |
| Total | 240 | 100.0 | 1,963 | 100.0 | 301 | 100.0 | 2,737 | 100.0 | 541 | 100.0 | 4,700 | 100.0 |

*Source: Internally Generated Report.

A review of the combined total of the consumer loan sample indicated that 57.0 percent of the number of loans and 50.4 percent of the dollar volume went to borrowers of low and moderate-income. It is recognized that consumer loans are generally granted to single applicants. Therefore, the percentage of originations occurring among low and moderate-income borrowers can be appear to be somewhat higher than those of residential mortgage originations, where the income typically is the result of joint applicants. Nevertheless, Workers' Credit Union's penetration of consumer lending among borrowers of low and moderate-income is considered to be significant.

IV. Community Development Lending

Under Massachusetts law, state-chartered credit unions are not permitted to make community development loans unless specifically applied for under Parity with Federal Credit Union Regulations, 209 CMR 50.00. While Workers' Credit Union has applied for various parity powers, lending or investment in community development loans pools is not included within them. Therefore the credit union was not evaluated on this performance criterion.

V. Innovative or Flexible Lending Practices

This criterion evaluates an institution's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low or moderate-income individuals or geographies. An innovative practice is one that serves low and moderate-income creditworthy borrowers in new ways or serves groups of creditworthy borrowers not previously served by the institution. Both flexible and innovative practices are favorably considered. Although a practice ceases to be innovative if its use is widespread, it may receive consideration if it is a flexible underwriting practice.

Workers' Credit Union offers flexible loan programs aimed at meeting the credit needs of low and moderate-income individuals. These programs are discussed below.

As previously mentioned in the Performance Context of this Public Evaluation, Workers' Credit Union was granted various parity powers in the area of lending in 2000. Because of the parity powers, the credit union's first time homebuyer program now offers up to 95% loan-to-value, a more flexible and competitive product than the previously allowed 90 % loan-to-value.

Also, the parity powers applied for now allow for a maximum residential mortgage amount of up to \$1 million instead of the previously allowed \$200,000 maximum. In 2000, the credit union granted three mortgages totaling \$210,000 to first time homebuyers, as a result of this change. In addition to this new product, Workers' Credit Union continues to offer the FNMA Flex 97 program that allows for a 3% downpayment and flexible underwriting guidelines. The credit union granted three mortgages totaling \$265,000 in 1999, and two mortgages totaling \$160,000 under the Flex 97 program.

The credit union continues its involvement with the Twin City CDC and its Hoop Rapp loan program that offers purchase and renovation financing to low and moderate-income homebuyers in low-income neighborhoods. In 1999, one mortgage for \$100,000 was granted and in 2000, three loans totaling \$310,000 were funded through this program.

Because of parity approval, Workers' Credit Union began offering a first time car buyer program in May 1999. This program is geared towards applicants with little or no credit who wish to purchase a car without the use of a co-signer. Applicants for this program must have been employed at their current position for at least 12 months and have a minimum gross monthly income of \$1,600. The maximum loan amount is \$11,000, the maximum loan-to-value is 80 %, and the vehicle must be a 1995 or newer model.

Also newly offered by Workers' Credit Union under parity, is 100% automobile financing, with a maximum loan of \$100,000 and a maximum term of 84 months for new vehicles and 60 months for used vehicles. In addition, the credit union now offers indirect lending through dealers who utilize a program developed by Credit Union Direct (CU Direct), a third party vendor. The first time car buyer, the 100% vehicle financing, and the indirect loan programs have proved to be highly successful.

Workers' Credit Union continues to offer its special loan programs, Emergency VISA for low and/or moderate-income members, Emergency VISA for members over 62, Student VISA, and its low \$500 minimum on personal loans.

In conclusion, Workers' Credit Union offers a high level of innovative and flexible products to its membership.

VI. Loss of Affordable Housing

This criterion evaluates whether or not a financial institution has engaged in systematic lending patterns resulting in the loss of affordable housing.

Based upon the analysis of Workers' Credit Union's lending activity, products, and fair lending practices, there is no evidence that the institution's lending patterns show any undue concentration or systematic pattern of lending resulting in the loss of affordable housing units.

VII. Fair Lending Policies and Practices

Workers' Credit Union maintains written Fair Lending Procedures that address the Equal Credit Opportunity Act, information necessary for an application, the application evaluation process, furnishing credit information, and government monitoring and reporting.

Workers' Credit Union's has a satisfactory record of implementing fair lending policies and practices. The following discussions of the institution's fair lending practices are based on guidelines established by the Division of Banks Regulatory Bulletin 2.3-101.

Staff Training

The credit union conducts regular training on CRA and Fair Lending for management and staff in an effort to familiarize them with the laws and regulations governing lending practices.

On October 14, 1999, Workers' Credit Union's CRA Officer held a "Train the Trainer" session on CRA for all the credit union's branch managers. In addition, on a quarterly basis, the credit union's CRA Officer makes a special report to the Board of Directors to update the Board on the credit union's endeavors relative to CRA and Fair Lending.

Staff Composition and Compensation

As of March 1, 2001, Workers' Credit Union employed 163 individuals, 15 of who are minorities. There are 13 individuals who are bi-lingual in Spanish, one who is bi-lingual in French, and one who is bi-lingual in Italian.

Workers' Credit Union employs two loan originators who are compensated on a base salary plus commission, however neither individual has any lending authority. The use of commissioned loan originators does not appear to have adversely affected the size or dollar amount of loans made.

Outreach

In an effort to determine the credit needs of its assessment area, Workers' Credit Union maintains ongoing contact with area organizations. The credit union is affiliated with the Twin City CDC, the Community Foundation of North Central Massachusetts, the Fitchburg Economic Strategy Recovery Committee, the North Central Massachusetts CRA Coalition, the Lancaster Housing Authority, and area Chambers of Commerce.

Through a call program, local realtors and automobile dealers are contacted regularly.

In 2000, Workers' Credit Union along with its advertising agency compiled a comprehensive listing (with brief descriptions) of all service agencies operating in the Fitchburg, Leominster, Nashoba, and Gardner areas. The credit union is attempting to ascertain from these organizations what needs exist that the credit union may meet.

Credit Products and Underwriting Standards

Workers' Credit Union's Board of Directors review and approve the credit union's Loan Policy on an annual basis. The credit union offers both fixed and variable rate mortgages with 30-year terms and a maximum loan to value ratio of 95%. In general, the credit union utilizes the standard FNMA underwriting guidelines. Workers' Credit Union's Credit Committee, on an ongoing basis, monitors market conditions, competition, and underwriting guidelines.

Marketing

Workers' Credit Union's advertising is published in virtually every form of newspaper and/or other print media that is circulated throughout its assessment area. This print media includes, but is not limited to, the Athol Daily News, the Worcester Telegram & Gazette, the Fitchburg and Leominster Sentinel & Enterprise, Nashoba Publishing, the Montachusett Telegram & Gazette, the Athol/Orange Town Crier, the Lancaster Times, the Clinton Courier, the Lunenburg Ledger, Raivaaja Publishing Company (Finnish Community Newspaper), the Gardner News, Directorio Latino (Spanish phonebook), the Clinton Item, the Community Journal, (Ashburnham) and The Groton Herald.

In addition, statement stuffers and newsletters are distributed bi-monthly to promote products and services. Lobby posters and brochures are also utilized for credit and deposit products, some of which are offered in Spanish.

The credit union also markets its products and services on radio stations WKLB, WXLO, WEIM, and WCAT.

Credit Education

In May 1999, Workers' Credit Union offered a first time homebuyer seminar that was attended by twenty-one members. Attendees heard discussions on various topics from a local real estate broker, a home inspector, an attorney, and a credit union loan officer. Most of those who attended obtained a Workers' Credit Union Mortgage Pre-Approval before leaving the seminar.

In June 1999, the credit union took part in a one-hour cable television show on homebuying. The credit union invited the Housing Coordinator for the Twin Cities CDC to appear as well. Two of Workers' Credit Union's loan officers and the Housing Coordinator discussed various topics related to homebuying and answered viewers' questions via telephone.

In the fall of 2000, Workers' Credit Union conducted a series of one-on-one homebuyer seminars. The credit union staff was available at a different branch every Saturday. They met with potential homebuyers to discuss the various questions they had about purchasing

a home and obtaining financing. Approximately six attendees purchased a home assisted by the seminars.

Counseling

Members who are in need of credit counseling are referred to Consumer Credit Counseling Service of Massachusetts, Inc. On-site counselors are also available.

Second Review Practices

Workers' Credit Union employs a second review practice for all applications considered for denial. The applications are reviewed by the credit union's Credit Committee to ensure that all financing options have been explored. This review process is conducted before the applicant is sent the notice of adverse action.

Internal Control Procedures

The credit union's auditing firm performs a review of compliance with CRA, Regulation C, and Fair Lending Regulations as part of its regular audit.

Minority Application Flow

Workers' Credit Union's minority loan applications were compared to the aggregate HMDA reporters' data and to the assessment area demographics to determine the reasonableness of the institution's level of attracting minority applicants. The credit union's assessment area is composed of 279,373 individuals of which 21,726 individuals or 7.8 percent are minority residents. As of the 1990 census, the credit union's assessment area population by racial composition was White, 92.2 percent; Native American, 0.2 percent; Asian, 1.3 percent; Black, 2.1 percent; Hispanic, 4.1 percent; and Other, 0.1 percent. For the period under review, Workers' Credit Union received 23 minority applications from within its assessment area.

Refer to the following.

| MINORITY APPLICATION FLOW* | | | | | | | | |
|----------------------------|------------------|------------|---------------------|------------|------------------|------------|-------------------|------------|
| RACE | 1999 Performance | | 1999 Aggregate Data | | 2000 Performance | | Total Performance | |
| | # | % | # | % | # | % | # | % |
| <i>Native American</i> | 0 | 0.0 | 41 | 0.2 | 0 | 0.0 | 0 | 0.0 |
| <i>Asian</i> | 0 | 0.0 | 237 | 1.2 | 3 | 1.9 | 3 | 0.7 |
| <i>Black</i> | 3 | 1.1 | 164 | 0.8 | 0 | 0.0 | 3 | 0.7 |
| <i>Hispanic</i> | 7 | 2.5 | 241 | 1.2 | 2 | 1.2 | 9 | 2.0 |
| <i>Other</i> | 0 | 0.0 | 149 | 0.7 | 0 | 0.0 | 0 | 0.0 |
| <i>Joint Race</i> | 4 | 1.4 | 210 | 1.0 | 4 | 2.5 | 8 | 1.8 |
| TOTAL MINORITY | 14 | 5.0 | 1,042 | 5.1 | 9 | 5.6 | 23 | 5.2 |
| <i>White</i> | 267 | 95.0 | 13,239 | 64.3 | 152 | 94.4 | 419 | 94.8 |

| | | | | | | | | |
|--------------|------------|--------------|---------------|--------------|------------|--------------|------------|--------------|
| NA | 0 | 0.0 | 6,295 | 30.6 | 0 | 0.0 | 0 | 0.0 |
| TOTAL | 281 | 100.0 | 20,576 | 100.0 | 161 | 100.0 | 442 | 100.0 |

*Source: PCI Services, Inc., CRA Wiz Software.

Given the demographics of its assessment area, Workers' Credit Union's level of minority applications is considered reasonable.

CONCLUSION – Lending Test

Workers' Credit Union's performance under the Lending Test is considered strong. The credit union has demonstrated a willingness to meet the credit needs of its assessment area, particularly those of low and moderate-income borrowers and geographies. Based on the above findings, the credit union's performance under the Lending Test is rated Outstanding.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes Workers' Credit Union's services.

RETAIL BANKING SERVICES

Distribution of Branches

Workers' Credit Union's main office is located in a low-income census tract in downtown Fitchburg. In addition, the credit union operates seven full service branch offices located in Gardner, Orange, Leominster, Townsend, Lancaster, Lunenburg and Groton. The branch office in Gardner is located within a moderate-income census tract. The branch offices located in Orange, Leominster, Townsend, and Lancaster are located in middle-income census tracts, and the Lunenburg and Groton offices are in upper-income tracts. Branch hours are considered convenient and comparable to other local institutions. With the exception of the Orange branch, all offices provide drive-up window service with extended hours. The Orange branch has a drive-up ATM. ATMs

with network access are also available at all offices. The credit union's ATM network affiliations include the NYCE and CIRRUS. In addition, Workers' Credit Union is a member of the SUM network, an ATM surcharge-free alliance of financial institutions.

Record of Opening and Closing Branches

Workers' Credit Union maintains a Branch Closing/Relocating Policy. The policy meets regulatory requirements concerning branch closing notices and procedures. No branches have been opened or closed since the previous examination.

Alternative Retail Banking Services

Workers' Credit Union offers "Workers' PhoneLink", a 24-hour program which allows members access to a voice response system to make inquiries, transfer funds between accounts, make loan payments, etc. The system provides the customer a series of options and steps to follow and is available in English or Spanish. "PhoneLink" is available via a local and a toll free phone number.

The credit union maintains a call center available from 8:15 AM to 7:00 PM weekdays and 8:15 AM to 12:00 PM on Saturdays. The call center allows members to obtain current deposit and loan rates and information; apply for consumer loans; and change their account information. Bi-lingual staff is available during most of the call center hours.

Web Site

Workers' Credit Union offers Internet banking through its own online service at www.wcu.com. The service allows a customer to check account balances, view cleared checks, transfer funds, get stock quotes, and pay monthly bills.

Other Retail Services

Workers' Credit Union offers both a low cost checking account and savings account. The checking account features no minimum balance requirements, no monthly fees, and a \$.35 charge for each check over 15 written in a month. The savings account features no monthly fees and a requirement of \$25 to open (for membership purposes).

Workers' Credit Union offers the "Homeward Bound" program. This program is a higher yielding share savings account with the sole purpose of saving for a down payment on a home. When the account is opened, the customer sets a goal amount to be reached in savings, and is automatically "registered" much like registering for a wedding or a shower. As a result, friends and family members can make gift deposits. Once the established goal amount is reached, the credit union pays \$200 towards the closing cost of a Workers' Credit Union mortgage.

Community Development Services

The credit union's officers and staff are involved with a number of organizations that meet a community development purpose. The following details some of these activities.

North Central Chamber of Commerce (NCCC) – Workers' Credit Union's President and Chief Executive Officer and a member of the Board of Directors serve on the Board of Directors of this organization. The NCCC has developed an economic development program called Business First. Workers' Credit Union's President and Chief Executive Officer serves as a Development Council Co-Chair for this initiative. Business First seeks to ensure prompt implementation of an energetic economic development program that will benefit all of North Central Massachusetts.

Twin Cities Community Development Corporation (CDC)– The Twin Cities CDC is a membership organization that invest in and organize residents to help Fitchburg and Leominster build assets such as quality housing, good jobs, strong businesses, and effective leaders. Workers' Credit Union's Senior Vice President serves on the Residential Loan Committee and the Resource Committee of the Twin Cities CDC.

United Way of North Central Massachusetts (United Way) – This United Way chapter funds twenty-nine agencies, which serve low and moderate-income individuals and families. Workers' Credit Union's President and Chief Executive Officer serves as Chairman and board member and a credit union Director also serves on the board of this organization. A credit union Assistant Vice President serves on the Distribution Committee of United Way and representatives from Workers' Credit Union are loaned to United Way as Campaign Associates to assist in fund raising efforts. In addition, many of the credit union's employees volunteer for United Way's Day of Caring.

North Central Massachusetts CRA Coalition –Workers' Credit Union's Senior Vice President serves on the Board of Directors of this organization.

Workers' Credit Union's President and Chief Executive Officer lends his expertise to capital fund drive fundraising efforts of organizations such as the **Fitchburg Senior Center Capital Fund Drive** and **Health Alliance Capital Campaign** (local hospital).

Employees of Workers' Credit Union are involved with various **Chambers of Commerce** throughout the credit union's assessment area.

Although not considered as qualified services under this test, Workers' Credit Union employees provide a high level of volunteerism to organizations such as local libraries, homeless shelters, food banks, adult day care etc. The credit union assists these endeavors by offering compensatory time to those employees who need to perform their voluntary duties during working hours.

Other Community Services

Workers Credit Union continues to work with the City of Fitchburg in servicing loans that have been and continue to be granted by the city. The credit union currently services three

portfolios for the city, two portfolios funded under Community Development Block Grant monies, and the other through HOME.

On a regular basis, Workers' Credit Union permits the use of its boardroom for area community groups to use at no cost. The organizations that have utilized this room include Boy Scouts of America, the North Central Massachusetts Chamber of Commerce and the Fitchburg Art Museum among others. In addition, Workers' Credit Union has hosted meetings of the North Central Massachusetts CRA Coalition and the Fitchburg In-town Development Committee meetings in its boardroom.

Workers' Credit Union's allows various community organizations to utilize its office equipment, including the LCD projector and the copy machine.

Workers' Credit Union's Senior Vice President of Marketing has, upon request, shared expertise in the area of marketing to organizations seeking assistance in this area. Also, the credit union maintains community bulletin boards in their lobbies for community organizations to post flyers and posters of upcoming events.

Educational Services and Seminars

The Community Reinvestment Act (CRA) regulation considers credit and other financial education services as a community development service.

Workers' Credit Union has co-sponsored and/or sent a representative as guest speaker to educational seminars during the time period reviewed. The following are qualified services under the provisions of CRA regulation.

In March 2000, Workers' Credit Union's Senior Vice President made a presentation at EasCorp's Product Development Fair for its Consumer Loan Workshop. The Fair is for smaller credit unions with assets of less than \$50 million. Topics included developing new consumer loan products and call centers, and improving loan collection efforts.

In the Spring and Fall of 2000, Workers' Credit Union's Assistant Vice President and a Branch Operations Coordinator participated in Cleghorn Head Start's Parents Program. Cleghorn is a low/moderate-income section of the City of Fitchburg. Three workshop sessions were held covering valuable tips, ideas, and techniques on numerous parenting issues. The credit union's participation was in session two, covering topics such as basic account principles, benefits of savings accounts, basic checking and account procedures. Workers' Credit Union provided bi-lingual support for Hispanic attendees.

Workers' Credit Union continues to participate in the School to Work Partnership Program through the Montachusett Opportunity Council (MOC). This program is geared toward non-college bound, low and/or moderate-income students from Fitchburg and

Leominster. The program offers students diversity training, computer technology, mathematics, science, English as a second language, CPR certification, pre-employment and work maturity skills, and industrial and environmental studies. Students who participate earn an hourly wage. Through involvement with MOC, Workers' Credit Union's Senior Vice President of Human Resources was able to attract three student interns for employment at the credit union in 2000.

CONCLUSION – Service Test

The credit union's systems for delivering retail-banking services are readily available to geographies and individuals of all income levels throughout its assessment area. Further, Workers' Credit Union's officers and staff address community development needs through involvement in a wide range of community organizations. Workers' Credit Union's performance under the Service Test is considered to be very strong and is rated Outstanding.

INVESTMENT TEST

According to MGL c171 section 67(t) "A credit union may contribute such sums as its board of directors may determine to be reasonable (i) to any private non-profit organization organized for the purpose of improving the social and economic conditions in the community where such credit union is established...

Also, under 209 CMR section 46.61 "A credit union that achieves at least a 'Satisfactory' rating under the Lending and Service Tests may warrant consideration for an overall rating of 'High Satisfactory' or 'Outstanding'. In assessing whether a credit union's performance is 'High Satisfactory' or 'Outstanding', the Division will also consider the credit union's performance in making qualified investments to the extent authorized by law".

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. The following describes Workers' Credit Union's qualified investments/contributions.

Charitable Contributions

Workers' Credit Union has taken a leadership role in providing contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business

growth and development. In some instances, these contributions were substantial, multi-year commitments.

As reported in the 1999 and 2000 Annual CRA Report to the Commissioner of Banks, Workers' Credit Union provided \$203,155 in corporate contributions, \$159,182 or 78.4 percent of which were in support of programs that promote community development, as defined under the CRA regulation.

The following are some of the organizations that Workers' Credit Union contributed to that were considered to be qualified investments.

Organizations that provide social services, aid in emergencies, and assist families in need such as: **United Way of North Central Massachusetts**; the **Battered Women Resource**; **Our Father's House (Homeless Shelter)**; and the **Massachusetts Credit Union Affordable Housing (Homeless Trust)**.

Organizations that provide school, youth, and educational programs such as: **Multi-Service Center**; the **Cleghorn Neighborhood Association**; and the **Montachusett Chapter of the YMCA**.

Organizations that provide community/business development such as the **Twin Cities Community Development Corporation**; **Business First (formerly Fitchburg by Design)**; the **Greater Gardner Community Development Corporation**; and the **Northern Massachusetts CRA Coalition**.

Organizations that provide for the elderly such as: **Montachusett Opportunity Council, Inc.**, **Resources for the Elderly**, and the **Visiting Nurses Association (Adult Day Care)**.

In addition to the above organizations, Workers' Credit Union has multi-year commitments to the three area hospitals for their capital campaigns. These hospitals are **Heywood Hospital** in Gardner, **Clinton Hospital**, and **HealthAlliance** in Leominster and Fitchburg. In each instance, the capital campaigns were used for physical expansion that have created additional employment opportunities.

Although not considered to be qualified under the revised CRA regulations, Workers' Credit Union continues to be a strong corporate contributor to numerous organizations that support area schools, libraries, the arts, as well as non-profit service organizations located within its assessment area.

APPENDIX A

Performance within the Boston, Fitchburg/Leominster, Lowell, Worcester, and non-Metropolitan Statistical Area's (MSA).

Workers' Credit Union's assessment area is comprised of cities and towns located in the Boston, Fitchburg/Leominster, Lowell and Worcester MSAs as well as towns in the non-MSA. The Boston MSA contains 128 cities and towns. Workers' Credit Union's assessment area has 6 communities in this MSA. The credit union's penetration of the Boston MSA constitutes 4.7 percent. The Worcester MSA contains 35 communities, 3 or 8.6 percent of which, fall within the credit union's assessment area. The non-MSA contains 69 communities, 10 or 14.5 percent of which, fall within the credit union's assessment area. Given the modest penetration of Workers' Credit Union's assessment area in these three MSAs, a separate analysis of the credit union's lending and service test performance within these respective MSA's was not performed as such analysis would not be considered meaningful.

Lowell MSA

The Lowell MSA contains 10 cities and towns, 6 or 60.0 percent of which are part of the credit union's assessment area. In 1999, the credit union granted 18 HMDA reportable loans within the Lowell MSA, 13 or 72.2 percent of which were within the credit union's assessment area. In 2000, the credit union granted 12 HMDA reportable loans within this MSA, 10 or 83.3 percent of which were within the credit union's assessment area.

The 6 communities located within the Lowell MSA that are also within the credit union's assessment area contain 8 census tracts, of which 4 (50 percent) are middle-income and 4 (50 percent) are upper-income tracts. In 1999, the credit union granted 8 loans (61.5 percent) within the middle-income tracts and 5 loans (38.5 percent) within the upper-income tracts. In 2000, the credit union granted 5 loans in the middle-income census tracts and 5 loans in the upper-income census tracts.

The credit union's HMDA reportable lending to low and moderate-income borrowers in 1999 and 2000 in the six communities in the Lowell MSA was as follows:

| Workers' Credit Union's Lending By Borrower Income* | | | | | | |
|--|---------------|----------------|---------------|----------------|-----------------|----------------|
| | 1999 | | 2000 | | Combined | |
| Incomes | Number | Percent | Number | Percent | Number | Percent |
| Low | 2 | 15.4 | 1 | 10.0 | 3 | 13.0 |
| Moderate | 1 | 7.7 | 3 | 30.0 | 4 | 17.4 |

*Source: PCI Services, Inc.

Based on the above information, Workers' Credit Union's lending in the Lowell MSA is considered reasonable.

Fitchburg/Leominster MSA

Workers' Credit Union's assessment area contains all 10 communities in the Fitchburg/Leominster MSA. The credit union granted 162 HMDA reportable loans in 1999 and 98 loans in 2000 in this MSA.

There are 30 census tracts in the MSA of which 1 (3.3 percent) is low-income and 7 are moderate-income 23.3 percent. In 1999, Workers' Credit Union granted no HMDA reportable loans to the low-income tract, and 26 loans, or 16.0 percent, to the moderate-income tracts. In 2000, the credit union granted no HMDA loans to the low-income tract, and 10 loans, or 10.2 percent, to the moderate-income tracts.

The credit union's HMDA reportable lending to low and moderate-income borrowers in 1999 and 2000 in the Fitchburg/Leominster MSA was as follows:

| Workers' Credit Union's Lending By Borrower Income* | | | | | | |
|--|---------------|----------------|---------------|----------------|-----------------|----------------|
| | 1999 | | 2000 | | Combined | |
| Incomes | Number | Percent | Number | Percent | Number | Percent |
| Low | 8 | 4.9 | 6 | 6.1 | 14 | 5.4 |
| Moderate | 41 | 25.3 | 26 | 26.5 | 67 | 25.8 |

*Source: PCI Services, Inc.

In conclusion, Workers' Credit Union's lending in the Fitchburg/Leominster MSA is considered reasonable.

The services provided by Workers' Credit Union serve the entire region that incorporates the MSAs previously discussed. Therefore, a separate analysis of the credit union's services provided to each of the MSAs was not performed.

APPENDIX B

SCOPE OF EXAMINATION

As of the close of business, February 5, 2001 a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination was conducted at Workers' Credit Union's main office in Fitchburg, Massachusetts. The credit union's lending products reviewed at this examination include residential mortgage loan originations/purchases and a sampling of consumer loan originations. These products were analyzed under six performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending, Loss of Affordable Housing, and Fair Lending Practices.

Workers' Credit Union's performance under the Service Test was reviewed. In addition, the credit union's qualified investments were reviewed although no rating was assigned.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WORKERS' CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **FEBRUARY 5, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

| | |
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.